

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 EA-12 ISO-00 AGRE-00 CEA-01

CIAE-00 DODE-00 FRB-01 H-02 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02 OMB-01

DOE-15 DOEE-00 /148 W

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P R 030800Z APR 78

FM AMEMBASSY BERN

TO SECSTATE WASHDC PRIORITY 6025

INFO AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY MEXICO

AMEMBASSY MOSCOW

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMEMBASSY SEOUL

USDOC WASHDC

UNCLAS SECTION 1 OF 2 BERN 1499

E.O. 11652: N/A

TAGS: ETRD, SZ

SUBJECT: REPLY TO US INTERNATIONAL TRADE COMMISSION (USITC) REQUESTS
FOR DATA ON WATCHES - SWITZERLAND

REF: STATE 18602; BERN A-016, 2/4/77, BERN A-74,
4/23/76

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1. PRODUCTION: TOTAL SALES OF SWISS WATCH

INDUSTRY WERE ESTIMATED AT \$1.46 BILLION IN 1977. THE

PRODUCTION OF WATHCES ANDMOVEMENTS OF ALL KINDS WAS IN

RANGE OF 67.9 MILLION UNITS. PRECISE FIGURES

ARENOT AVAILABLE IN VIEW OF COMMERCIAL SECRECY LAWS

AND PRACTICES PREVAILING IN SWITZ. SEPARATE

FIGURES BY TYPE OF ELECTRONIC WATCH ARE NOT OBTAINABLE.

TOTAL PRODUCTION OF ELECTRONIC WATCHES AND MODULES IN SWITZ WAS ABOUT 5 MILLION UNITS IN 1977, OR 15 TO 20 PERCENT OF WORLD PRODUCTION. SWISS WATCH INDUSTRY REPORTEDLY IS AIMING AT A ONE THIRD SHARE OF WORLD OUTPUT OF ELECTRONIC TIMEPIECES TO MATCH ITS POSITION IN CONVENTIONAL WATCHES. SWITZ IS EXPECTED CONCENTRATE ON ANALOG QUARTZ WATCHES. ITS ELECTRONIC OUTPUT IS ESTIMATED AT ONE THIRD DIGITAL, TWO-THIRDS ANALOG QUARTZ. TUNING FORK TIMEPIECES ARE TECHNOLOGICALLY OUTDATED AND WILL BE DISCONTINUED.

2. EXPORTS: TOTAL EXPORTS AMOUNTED TO \$ 1.42 BILLION IN 1977, AN INCREASE OF 10 PERCENT OVER PRECEDING YEAR. 65.9 MILLION WATCHES AND MOVEMENTS WERE SHIPPED ABROAD FOR A VALUE OF \$1.21 BILLION, REMAINDER BEING MADE UP BY CASES, SUPPLIES AND ACCESSORIES FOR TIMEPIECES. EXPORTS OF ELECTRONIC WATCHES JUMPED TO 4.2 MILLION UNITS, AN INCREASE OF 61.5 PERCENT IN QUANTITY OF ASSEMBLED ELECTRONIC TIMEPIECES AND OF 81.5 PERCENT IN QUANTITY OF MODULES, OVER 1976. EXPORTS OF ASSEMBLED LEVER (QUALITY CONVENTIONAL) WATCHES INCREASED BY 2.6 PERCENT IN 1977, AND OF LEVER MOVEMENTS BY 17.2 PERCENT. AT LOW-PRICED END, EXPORTS OF ROSKOPF AND PIN-LEVER TYPE OF WATCHES STAGNATED, ILLUSTRATING FACT THAT LOW COST WATCHES CANNOT PROFITABLY BE PRODUCED IN A COUNTRY WITH HIGH WAGES AND APPRECIATING CURRENCY.

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EXPORTS OF ASSEMBLED WATCHES INCREASED AT SLOWER PACE THAN EXPORTS OF MOVEMENTS (4.8 PERCENT VS 9.2 PERCENT). REPORTEDLY, TREND OF CASING SWISS MOVEMENTS UNDER PRIVATE LABEL ABROAD, ESPECIALLY IN EUROPEAN, MIDDLE EAST AND ASIAN COUNTRIES, IS OF CONCERN TO SWISS MANUFACTURERS OF QUALITY BRANDED WATCHES. BY GEOGRAPHICAL AREA, TOTAL EXPORTS IN VALUE INCREASED BY 3 PERCENT TO EUROPE, 1 PERCENT TO AFRICA, 19.2 PERCENT TO ASIA, 10.6 PERCENT TO AMERICAS (INCLUDING 11.8 PERCENT TO US), AND DECREASED BY 7.9 PERCENT TO AUSTRALASIA. ON WHOLE, EXPORTS STARTED RECOVER IN 1977 FROM SEVERE SLUMP OF 1975 AND 1976. TOTAL EXPORTS IN UNITS IN 1977, HOWEVER, WERE 20 PERCENT LOWER THAN ALL-TIME PEAK REACHED IN 1974.

3. IMPORTS: IN 1977, TOTAL IMPORTS REPRESENTED 15.1 MILLION IN UNITS AND \$88 MILLION IN VALUE. BY QUANTITY THEY INCREASED BY 11.1 PERCENT, AND IN VALUE BY 5 PERCENT OVER PRECEDING YEAR. IMPORTS OF ASSEMBLED WRISTWATCHES MADE UP 449,613 UNITS AND \$22.8 MILLION. THESE IMPORTS DO NOT INCLUDE PARTS AND SUPPLIES FOR ELECTRONIC WATCHES, SUCH AS SUBSTRATES, INTEGRATED CIRCUITS, OSCILLATORS, QUARTZ, DISPLAYS, BATTERIES,

TRIMMERS, STEPPING MOTORS, AND LIKE. LATTER
ARE IMPORTED UNDER VARIETY OF SUBHEADINGS IN SWISS
CUSTOMS TARIFF (SEE ENCL 5, P 5 OF BERN -16, 2/4/77).
WITHOUT A PRECISE BREAKDOWN EXISTING IMPORT STATISTICS
CAN BE INTERPRETED AS FOLLOWS:

A) SWISS MANUF OF LOW-PRICED, ROSKOPF TYPE OF
WATCHES HAVE SHIFTED PART OF THEIR PRODUCTION TO OFF-
SHORE FACILITIES (BRAZIL, KOREA, HONG KONG, ETC)
PART OF THEIR OVERSEAS PRODUCTION MAY HAVE BEEN RE-
IMPORTED INTO SWITZ.

B) US AND FAR-EST PRODUCTION FACILITIES HAVE CONTINUED
TO SHIP SOLID-STATE (DIGITAL) TIMEPIECES IN ASSEMBLED
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(BUT MOSTLY IN MODULE) FORM TO SWISS WATCH MANUFACTURERS
AND IMPORTERS.

C) SWISS IMPORTS OF ELECTRONIC WATCHES IN ASSEMBLED
OR MODULE FORM MAY REPRESENT, HOWEVER, LESS THAN
30 PERCENT OF SWITZ'S OWN PRODUCTION OF
5 MILLION UNITS.

D) DESPITE VERTICAL INTEGRATION ACHIEVED IN SWITZ'S
PRODUCTION OF ELECTRONIC WATCHES, SOME
SWISS MANUFACTURERS CONTINUE RELY ON FOREIGN
SUPPLIES OF PARTS (INTEGRATED CIRCUITS, SUBSTRATES,
QUARTZ, TRIMMER, DISPLAYS) FOR BOTH ANALOG QUARTZ
AND DIGITAL WATCHES.
AT LEAST ONE SWISS GROUP (MONDAINE) IS KNOWN TO
BUY CIRCUITS IN US, AND HAS HAD THEM BONDED
IN FAR EAST. ASSEMBLY OF MODULES REPORTEDLY
TAKE PLACE IN SWITZ.

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ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 EA-12 ISO-00 AGRE-00 CEA-01

CIAE-00 DODE-00 FRB-01 H-02 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02 OMB-01
DOE-15 DOEE-00 /148 W

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P R 030800Z APR 78
FM AMEMBASSY BERN
TO SECSTATE WASHDC PRIORITY 6026
INFO AMEMBASSY BANGKOK
AMEMBASSY BONN
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
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4. RECENT DEVELOPMENTS AND OUTLOOK: WHEREAS 1977
BROUGHT SOME RECOVER, DEEP STRUCTURAL CHANGES OCCURED
IN SWISS WATCH INDUSTRY. SWISS WATCH MANUFACTURERS
ARE STILL COPING WITH PROBLEMS THAT AROSE LATE IN
1974: TECHNOLOGICAL CHANGES; OUTDATED AND DISPERSED
INDUSTRIAL STRUCTURES; INADEQUATE MANAGEMENT; UNEXPECTED
CHANGES IN TASTE AND BUYING PATTERNS; A LACK OF CONTROL
OF MARKETING CHANNELS; RESHUFFLING TAKING PLACE IN
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MARKETPLACE WITH ADVENT OF ELECTRONIC TIMEPIECES;
AN EVER-WATCHFUL AND FIERCE FOREIGN COMPETITION; MONE-
TARY INSTABILITY (SWISS FRANC ROSE AN ADDITIONAL
20.3 PERCENT AGAINST DOLLAR IN 1977 OR 17 PERCENT
ON A TRADE WEIGHTED BASIS); A RECESSION PRONE
INDUSTRY EXPORTING 65 PERCENT OF ITS PRODUCTION TO
DOLLAR ZONE. LAYOFFS (27 PERCENT OR 21,000 JOBS
LOST SINCE 1974), WRITE-OFF OF INVENTORIES AND LOSS OF OTHER
ASSETS (\$200 MILLION SINE 1974), PLANT CLOSINGS, MERGERS, ACQUI-
SITIONS, DWINDLING PROFIT MARGINS AND RED INK WERE
AGAIN INEVITABLE IN 1977. MOST PRESTIGIOUS BRANDS
HAVE NOT BEEN SPARED GLOOM. SSIH, PRODUCER OF
OMEGA AND TISSOT WATCHES, REPORTED LOSSES OF \$31.6
MILLION, WAS ENTIRELY REORGANIZED AND KEPT AFLOAT BY

FRESH CAPITAL OBTAINED FROM ITS SWISS TRADING PARTNER IN FAR EAST (SIBER HEGNR). BULOVA BECAME MEXICED CONGLOMERATE PRODUCING IN SWITZ AND FAR EAST, PARTLY OWNED AND MANAGED BY HONG KONG BUSINESSMAN. BULOVA RECENTLY RESOLD A GENEVA SUBSIDIARY, UNIVERSAL, TO SWISS GROUP. ZENITH RADIO REPORTEDLY SEEKS SELL ITS SWISS-BASED ZENITH WATCH FACTORY. SYNCHRON HOLDING WAS CLOSED DOWN. SGT HOLDING SOLD OUT WALTHAM IN US. UNDER COMPETENT MANAGEMENT AND WITH AMPLE RESERVES, LARGEST GROUP, ASUAG, FARED BETTER. IT PURSUED VERTICAL INTEGRATION; PUSHED RESEARCH DEVELOPMENT, AND PRODUCTION OF INTERCHANGEABLE CALIBERS; AND CONSOLIDATED ITS MARKETING EFFORTS. ACQUIRED SEMICONDUCTOR TYPE KNOW-HOW IN PRODUCTION OF QUARTZ OSCILLATORS FROM STATEK CORP., ORANGE CALIF, AND PURCHASED MICROMA TRADENAME FROM INTEL CORP, SANTA CLARA, CALIF, WHEN LATTER COMPANY CLOSED DOWN ITS DIGITAL WATCH PLANT. ASUAG FIRMED UP ITS PRODUCTION ARRANGEMENTS WITH BROWN UNCLASSIFIED

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BOVERI, LARGE SWISS ELECTRICAL EQUIPMENT COMPANY WHICH NOW MANUFACTURERS BULK OF LIQUID CRYSTAL READOUTS USED ON SWISS DIGITAL WATCHES (CONTRASTING, LARGER DIGITS HAVE BEEN INTRODUCED). IN 1977, ASUAG INCREASED PRODUCTION CAPACITY OF ITS RENATA WATCH BATTERY PLANT. IT NOW PLANS BETTER CONTROL AFFILIATED PRODUCTION COMPANIES THROUGH EBAUCHERS HOLDING COMPANY-, AND WILL INCREASINGLY MARKET ITS OWN BRANDS THROUGH GENERAL WATCH CO HOLDING SUBSIDIARY. LATTERS SUBSIDIARY IN NEW YORK, MONTREX CORP, WILL COORDINATE MARKETING CAMPAIGNS FOR MED-PRICED, QUALITY WATCHES IN US. ASUAG REPORTED OVERALL SALES OF \$551.6 IN 1977, AN INCREASE OF 15R PERCENT OVER PRECEDING YEAR. WHEREAS RECENT DIVIDENT AND PROFIT FIGURES HAVE NOT BEEN RELEASED BY BOARD FOR 1977, FOR FISCAL YEAR ENDED JUNE 1977, FIRM REPORTED AFTER TAX PROFIT OF \$1.8 MILLION. ASUAGS CHAIRMAN, DR PIERRE RENGGLI, WAS RECENTLY APPOINTED PRES OF SWISS WATCH CHAMBER, SEMI-OFFICIAL UMBRELLA ASSOC OF SWISS WATCH INDUSTRY.

5. IN FALL OF 1977, SWISS WATCH SOURCES ANTICIPATED RECOVER TO CONTINUE IN 1978. RECENT MONETARY DISORDER, HOWEVER, IS EXPECTED BRING ABOUT STAGNATION. IN NEAR TERM, SWISS ARE EXPECTED WRESTLE WITH JAPANESE FOR DOMINANCE OF INTERNATIONAL MARKET IN QUALITY WATCHES, BOTH CONVENTIONAL (MECHANICAL) AND ELECTRONIC (WITH EMPHASIS ON ANALOG QUARTZ MODELS). THEY ARE EXPECTED BE

ABLE CONSOLIDATE THEIR ONE THIRD SHARE IN TOTAL
WORLD MARKET.

6. PROSPECTS FOR US SUPPLIERS OF ELECTRONIC WATCH
COMPENTRY REMAIN GOOD, PROVIDED THAT THEY ARE
WILLING MEET QUALITY AND DELIVERY REQUIREMENTS
OF THEIR SWISS CLIENTS.

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WARNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, DATA, PROCUREMENT, WATCHES
Control Number: n/a
Copy: SINGLE
Draft Date: 03 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BERN01499
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: BERN
Handling Restrictions: n/a
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Message ID: b54e35a6-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Reference: 78 STATE 18602, 78 BERN A-16, 78 BERN A-74
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2819562
Secure: OPEN
Status: NATIVE
Subject: REPLY TO US INTERNATIONAL TRADE COMMISSION (USITC) REQUESTS FOR DATA ON WATCHES - SWITZERLAND
TAGS: ETRD, SZ
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/b54e35a6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
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